

Idaho Legislative Audits
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Idaho Department of Lands

Management Report on Financial Procedures

Issued: April 21, 2004
Fiscal Year: 2001, 2002, and 2003



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO DEPARTMENT OF LANDS

PURPOSE AND SCOPE. We have completed certain financial audit procedures on the Idaho Department of Lands' financial activities that occurred during the fiscal years ended June 30, 2001, 2002, and 2003. These procedures, together with procedures performed at other State agencies, allow us to express our opinion on the statewide basic financial statements prepared by the State Controller's Office. Since a major federal program was present, appropriate procedures and required tests were made in order to issue the federally required Single Audit.

CONCLUSION. Two findings and recommendations are included in this report, that will, if implemented, improve efficiency, effectiveness, compliance, and controls of the Department. Although we discussed issues for improvement, we conclude that the financial operations of the Department meet accepted standards and that the Department substantially complies with laws, regulations, rules, grants, and contracts for which we tested compliance.

FINDINGS AND RECOMMENDATIONS. The findings and recommendations contained in this report are summarized below:

Finding #1. Accounting procedures and controls need to be improved to ensure accuracy and compliance with policies.

Although we found that accounting procedures at the Department are generally good, improvement can be made. For example:

- The Department should reconcile or ensure that the amounts recorded in Navision and subsequently transferred electronically to STARS are accurate. After we showed the Department that revenue amounts in STARS were different than the revenue amounts reported in Navision, the Department has reconciled them to within a few thousand dollars.
- The Department should reconcile billed and collected lease receipts to lease agreements and other documentation to ensure that all collections are proper. Such reconciliations should be a standard control for the Department.
- The Department should complete billings to ensure that it has an opportunity to collect all money owed. For example, members of the Department staff stated that fire pre-

suppression billings to State agencies are not always made and are sometimes only made after the agency requests that a bill be sent.

- The Department should ensure that all closing packages submitted to the State Controller's Office to compile statewide financial information are accurate and timely. Nine of 11 were not submitted by the due date. Also, the Department under-reported federal expenditures by \$1.2 million in fiscal year 2003 and did not report the fire cache of about \$2.6 million in fiscal years 2001 and 2002.
- The Department should ensure that purchasing cardholders (P-cards) verify charges to their P-cards to ensure there are no unauthorized charges.

We recommend that the Department establish controls and procedures for each of the issues above.

Finding #2. The Department does not always comply with federal grant requirements.

The Department did not comply with: (1) the cash management requirement when it advanced money to resource conservation districts for projects up to five months in duration, (2) the subrecipient monitoring requirement when it did not ensure subrecipients complied with allowable costs and other compliance requirements, and (3) federal reporting requirements when it did not submit a report as required by the grant agreement.

We recommend that the Department establish procedures to ensure compliance with federal requirements.

PRIOR FINDINGS AND RECOMMENDATIONS. All findings and recommendations from prior audit reports are closed, except one regarding the need to improve accounting controls. That finding and recommendation is repeated in this report.

AGENCY RESPONSE. The Department has reviewed the report and is in general agreement with its contents. The Department's complete responses to the findings and recommendations are included in the full report.

FINANCIAL SUMMARY. The procedures completed and described above help us express our opinion on the fairness of presentation of the *Statewide Comprehensive Annual Financial Report (CAFR)*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

The Department is funded by a \$4.6 million General Fund appropriation, \$17 million from dedicated funds (the majority from the Endowment Board to manage endowment lands), \$6 million in fire suppression funds, and \$4.8 million in federal funds. The Department spent \$16.7 million for personnel, \$11.4 million in operating expenditures, about \$1.5 million for capital outlay, and a little more than \$3.9 million on trustee and benefit payments. In fiscal year 2003, the Department also transferred about \$70 million to the Endowment Earnings Reserve Fund and the Permanent Endowment Fund.

Idaho Department of Lands – Financial Summary

FISCAL YEAR 2001

Fund Description	Fund	Beginning Free Fund/ Appropriation Balance	Beginning Encumbrances	Receipts/ Transfers-In	Disbursements/ Transfers-Out	Ending Encumbrances	Ending Free Fund/ Appropriation Balance
General Fund	0001	\$4,600,100	\$134,709	\$24,980	\$4,469,483	\$57,110	\$233,196
Special Revenue	0075	12,157,643	514,626	10,069,552	10,864,929	334,163	11,542,729
Fire Suppression (Deficiency)	0076	(143,302)	10,607	15,729,578	15,377,725	17,310	201,848
Hazardous Waste Management	0184	500,000	0	0	500,000	0	0
State Highway Fund	0260	0	0	150,764	150,764	0	0
Special Pest Eradication (Deficiency)	0331	(267)	0	57,706	880	249,120	(192,561)
Federal Fund	0348	326,646	0	1,180,755	1,420,436	0	86,965
Miscellaneous Fund	0349	0	0	753	753	0	0
Permanent Building Fund	0365	0	0	16,615	16,615	0	0
Land and Building Rentals	0425	73,630	0	11,875	6,008	0	79,497
Endowment Earnings	0481	112,208	0	540,372	652,580	0	0
Endowment Earnings Reserve Funds	0482	25,555,258	570,964	93,049,555	105,710,557	703,832	12,761,388
Community Forestry	0495	40,276	0	7,205	8,134	0	39,347
Employment Compensation	0514	0	0	4,128	4,128	0	0
Planning and Development	0521	34,221	0	0	3,690	0	30,531
Endowment Fund	0526	13,652,601	0	0	13,652,601	0	0
		<u>\$56,909,014</u>	<u>\$1,230,906</u>	<u>\$120,843,838</u>	<u>\$152,839,283</u>	<u>\$1,361,535</u>	<u>\$24,782,940</u>

FISCAL YEAR 2002

Fund Description	Fund	Beginning Free Fund/ Appropriation Balance	Beginning Encumbrances	Receipts/ Transfers-In	Disbursements/ Transfers-Out	Ending Encumbrances	Ending Free Fund/ Appropriation Balance
General Fund	0001	\$5,187,800	\$57,110	\$9,942	\$4,659,360	\$126,823	\$468,669
Special Revenue	0075	11,542,729	334,163	10,228,102	11,185,875	3,601	10,915,518
Fire Suppression (Deficiency)	0076	201,848	17,310	5,483,588	6,250,894	1,407	(549,555)
State Highway Fund	0260	0	0	23,502	23,502	0	0
Special Pest Eradication (Deficiency)	0331	(192,561)	249,120	2,752,038	2,826,177	0	(17,580)
Federal Fund	0348	86,965	0	2,128,422	2,128,177	0	87,210
Miscellaneous Fund	0349	0	0	753	753	0	0
Permanent Building Fund	0365	0	0	15,637	15,637	0	0
Land and Building Rentals	0425	79,497	0	11,250	14,689	0	76,058
Endowment Earnings	0481	0	0	725,003	724,965	0	38
Endowment Earnings Reserve Funds	0482	12,761,388	703,832	73,046,332	73,848,627	751,072	11,911,853
Community Forestry	0495	39,347	0	1,689	8,275	0	32,761
Employment Compensation	0514	0	0	4,128	4,128	0	0
Planning and Development	0521	30,531	0	0	9,767	0	20,764
Endowment Fund	0526	0	0	1,424,577	1,420,567	0	4,010
Land Bank Funds	0527	0	0	34,902	2,075	0	32,827
		<u>\$29,737,544</u>	<u>\$1,361,535</u>	<u>\$95,889,865</u>	<u>\$103,123,468</u>	<u>\$882,903</u>	<u>\$22,982,573</u>

FISCAL YEAR 2003

Fund Description	Fund	Beginning Free Fund/ Appropriation Balance	Beginning Encumbrances	Receipts/ Transfers-In	Disbursements/ Transfers-Out	Ending Encumbrances	Ending Free Fund/ Appropriation Balance
General Fund	0001	\$4,600,100	\$126,823	\$24,173	\$4,470,540	\$40,000	\$240,556
Special Revenue	0075	10,915,518	3,601	10,456,570	11,077,047	70,090	10,228,552
Fire Suppression (Deficiency)	0076	(549,555)	1,407	6,025,423	4,758,328	0	718,947
State Highway Fund	0260	0	0	21,915	21,915	0	0
Special Pest Eradication (Deficiency)	0331	(17,580)	0	567,861	552,017	0	(1,736)
Federal Fund	0348	87,210	0	4,801,901	4,253,866	0	635,245
Miscellaneous Fund	0349	0	0	753	753	0	0
Permanent Building Fund	0365	0	0	16,786	16,786	0	0
Land and Building Rentals	0425	76,058	0	11,125	20,169	0	67,014
Endowment Earnings	0481	38	0	285,057	285,095	0	0
Endowment Earnings Reserve Funds	0482	11,911,853	751,072	78,476,125	76,175,275	207,970	14,755,805
Community Forestry	0495	32,761	0	7,280	6,289	0	33,752
Employment Compensation	0514	0	0	4,128	4,128	0	0
Planning and Development	0521	20,764	0	0	0	0	20,764
Endowment Fund	0526	4,010	0	1,803,861	1,807,871	0	0
Land Bank Funds	0527	32,827	0	27,320	0	0	60,147
		<u>\$27,114,004</u>	<u>\$882,903</u>	<u>\$102,530,278</u>	<u>\$103,450,079</u>	<u>\$318,060</u>	<u>\$26,759,046</u>

OTHER ISSUES. In addition to the findings and recommendations, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Department of Lands and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the director, Winston Wiggins, and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits
Thomas Haddock, CPA, CGFM, Managing Auditor

Report IC32003/SA32003/CA32003

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.